

**POSTSECONDARY EDUCATION
TRUST FUNDS INVESTMENT INCOME**

**ACTION
Agenda Item I-1
March 19, 2001**

Recommendation

- The staff recommends that the interest income earned through June 30, 2000, on the five trust funds listed in the attached chart be allotted to the institutions in accordance with the trust fund criteria and policy statements put into effect when the trust funds were established in 1997-98.
- The staff recommends that, using funds from the Technology Initiative Trust Fund (see Agenda Item I-2), the council provide the required one-for-one match of interest income from the Regional University Excellence Trust Fund if used by the comprehensive universities to advance the statewide strategy for engineering. The staff further recommends that the council match funds allocated internally by the University of Kentucky and the University of Louisville for the statewide engineering strategy up to an amount equivalent to the interest income accumulated in the Research Challenge Trust Fund. The staff recommends that the council limit the total amount of the matching funds from the Technology Initiative Trust Fund to \$650,000, as presented in Agenda Item I-2.

Background

House Bill 1, *The Postsecondary Education Improvement Act of 1997*, states that income earned from trust funds shall be credited to the appropriate trust fund account. The investment earnings must be used for the legislatively mandated purposes of the trust funds and reserved for the individual institutions. The presidents of the University of Kentucky and the University of Louisville have expressed concern about allocating investment income from the Research Challenge Trust Fund to undergraduate programs. But they are willing to work with the council and the comprehensive universities to finance the expansion of joint engineering degree programs. The council staff proposes that the council match funds allocated internally by the University of Kentucky and the University of Louisville for the statewide engineering strategy up to an amount equivalent to the interest income accumulated in the Research Challenge Trust Fund. The matching funds would be allocated from the Technology Initiative Trust Fund (see Agenda Item I-2).

Following is a schedule of the interest earnings for the trust funds by institution through June 30, 2000. As shown in Agenda Item I-2, the council staff recommends that \$650,000 from the Technology Initiative Trust Fund be allocated for academic program development, primarily the statewide strategy for engineering education.

The allocation and use of the investment earnings have been discussed at recent meetings of the presidents and the Finance Committee. The staff recommends that the established trust-funds criteria and policy statements be applied to the related investment income. Institutions must match investment income dollar for dollar, except as provided in this agenda item.

The council approved the criteria for the 1997-98 trust funds November 3, 1997. The council approved policy statements regarding the 1998-2000 Research Challenge Trust Fund Endowment Program and the 1998-2000 Regional University Excellence Trust Fund Endowment Program September 14, 1998. The council approved the criteria for the 1998-2000 Postsecondary Workforce Development Trust Fund November 9, 1998.

Staff Preparation by Angela S. Martin

**INCENTIVE TRUST FUNDS
INVESTMENT INCOME STATUS REPORT**

Trust Fund/Institution	1997-98 Interest	1998-99 Interest	1999-00 Interest	Total Interest
Research Challenge				
University of Kentucky	\$ 93,204	\$ 79,593	\$ 52,446	\$ 225,243
University of Louisville	46,602	41,676	25,989	114,267
Research Challenge Total	139,806	121,269	78,435	339,510
Research Endowment				
University of Kentucky	-	1,837,681	368,768	2,206,449
University of Louisville	-	1,043,497	375,721	1,419,218
Research Endowment Total	-	2,881,178	744,489	3,625,667
Regional University Excellence				
Eastern Kentucky University	33,903	32,516	27,232	93,651
Kentucky State University	11,184	32,501	33,949	77,634
Morehead State University	20,160	48,398	16,370	84,928
Murray State University	24,676	21,244	13,333	59,253
Northern Kentucky University	17,168	44,597	15,517	77,282
Western Kentucky University	32,714	77,292	79,643	189,649
Regional University Excellence Total	139,805	256,548	186,044	582,397
Regional University Endowment				
Eastern Kentucky University	-	85,466	27,340	112,806
Kentucky State University	-	26,530	40,069	66,599
Morehead State University	-	50,559	78,440	128,999
Murray State University	-	58,614	80,173	138,787
Northern Kentucky University	-	42,229	36,544	78,773
Western Kentucky University	-	59,719	17,490	77,209
Regional University Endowment Total	-	323,117	280,056	603,173
Workforce Development				
KCTCS	69,903	144,770	245,855	460,528
Workforce Development Total	69,903	144,770	245,855	460,528
System Total	\$ 349,514	\$ 3,726,882	\$ 1,534,879	\$ 5,611,275